

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-01 PRS-01 EUR-12 IO-10 NEA-10

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7858

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USADB

E.O. 11652: ADS - DECLAS 9/25/76

TAGS: EAID, EFIN

SUBJECT: AIDE MEMOIRE ON QUESTION OF INCREASE REPRESENTATION  
ON BOARD OF DIRECTORS

PASS TREASURY FOR ZINMAN

REF: MANILA 2181

1. BANK SECRETARY DISTRIBUTED "AIDE MEMOIRE" TITLED  
REPRESENTATION ON BOARD OF DIRECTORS DATED 19 SEP.  
FOR INFORMAL BOARD DISCUSSION IN SECOND HALF OCTOBER  
1975. COPIES AIDE MEMOIRE POUCHED STATE/AID/TREASURY  
23 SEPTEMBER OUTLINES THREE METHODS TO INCREASE  
COUNTRY REPRESENTATION ON BOARD. NO REPEAT NO CHANGE  
IN EXERCISE OF VOTING POWER INVOLVED SINCE AN ADB  
DIRECTOR CAN CAST VOTE SEPARATELY FOR EACH COUNTRY  
REPRESENTED.

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2. REASONS FOR INCREASING REPRESENTATION ARE (A)

SPECIAL CAPITAL INCREASES WHICH REDUCE EFFECTIVENESS OF SMALLER COUNTRIES PARTICIPATION, AND (B) ANTICIPATED REDUCTION I REPRESENTATION ON THE BOARD OF MEMBER COUNTRIES WITH SMALLER SHARES ESPECIALLY SMALLER LESS DEVELOPED REGIONAL MEMBES WHO DESIRE SPECIAL CONSIDERATION.

3. THREE PROPOSED OPTIONAL METHODS ARE, FIRST, INCREASE NUMBER OF DIRECTORS ON BOARD BY AMENDING ARTICLES OF AGREEMENT AS WAS DONE IN 1969 FROM 10 59 12 DIRECTORS; SECOND, APPOINT ADVISORS TO DIRECTORS REPRESENTING FOUR OR MORE COUNTRIES BY DECISION OF BOARD OF DIRECTORS WHICH WOULD RESULT IN FIVE ADVISORS UNDER CURRENT RULES AND GROUPING; OR THIRD, APPOINT ADDITIONAL ALTERNATE DIRECTORS TO DIRECTORS REPRESENTING FOUR OR MORE COUNTRIES BY AMENDING ARTICLES RESULTING IN FIVE ADDITIONAL ALTERNATES.

4. AIDE MEMOIRE DOES NOT DISCUSS METHODS TO REARRANGE CURRENT MEMBER COUNTRY GROUPS OR TO AMEND RULES GOVERNING MINIMUM ELIGIBLE SHARES TO ELECT DIRECTORS SINCE THESE METHODS WOULD REDUCE CURRENT REPRESENTATION OF REGIONAL AND NON-REGIONAL MEMBER COUNTRIES WITH SMALLER RELATIVE SHARES.

5. PRESIDENT INOUE, IN CONVERSATION WITH USADB MENTIONED THAT SWEDISH GOVERNOR OFFERED TO REQUEST ADDITIONAL FUNDS FOR ADB AND ASKED IF ADB COULD ACCEPT A SWEDISH ADVISOR TO THEIR CANADIAN DIRECTOR AT NO EXPENSE TO ADB. INOUE WONDERED WHAT U.S. REACTION MIGHT BE. U.S. ALTERNATE DIRECTOR AGREED THAT ADDITIONAL FUNDS WOULD BE WELCOMED BUT FELT THAT REPRESENTATION ISSUE WOULD REQUIRE FURTHER STUDY. ANOTHER ASPECT OF THIS IS THAT CANADA IS CONSIDERING A DOUBLING OF ITS CAPITAL AND MAY BECOME ELIGIBLE TO APPOINT A DIRECTOR. CHANGES IN NON-REGIONAL COUNTRY GROUPINGS MAY BECOME DIFFICULT IF PROPOSED SPECIAL CAPITAL INCREASE FROM GERMANY IS COMPLETED. SEE REFTEL AND ADB DOC. SEC.M19-75 OF FEB 26, 1975.

6. AIDE MEMOIRE SUGGESTS THAT IF AMENDMENT TO LIMITED OFFICIAL USE

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INCREASE SIZE AND CHANGE COMPOSITION OF BOARD OF DIRECTORS IS TO BECOME EFFECTIVE IN TIME FOR ELECTION OF DIRECTORS AT TENTH ANNUAL MEETING IN APRIL 1977, BOARD OF DIRECTORS WILL NEED TO APPROVE AND FORWARD PROPOSAL TO AMEND ARTICLES TO BOARD OF GOVERNORS FOR DECISION BY EARLY 1976.

7. ACTION REQUESTED: U.S. COMMENTS ON VARIOUS

PROPOSALS TO INCREASE REPRESENTATION ON ADB BOARD OF  
DIRECTORS FOR QUOTE INFORMAL UNQUOTE DISCUSSIONS  
SECOND HALF OCTOBER. SULLIVAN

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## Message Attributes

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